

## CHAPTER 9

### PAYROLL AND PERSONNEL TRANSACTIONS

#### INTRODUCTION

The State Personnel Department has the responsibility of developing personnel rules and regulations; approving personnel transactions; and maintaining state personnel records. Additional responsibilities of State Personnel include maintaining eligibility lists, applications, testing, hiring, transfers, promotions, demotions, suspensions, and dismissals. For State Personnel's laws and Administrative Codes, Union Settlements, standardized policies, and other personnel related information, see State Personnel Department's web page at <http://www.ISD.STATE.IN.US/SPD/>. The site includes a list of telephone numbers for contacting State Personnel.

The Auditor of State issues the payroll warrants, disburses withholdings, and maintains the official state payroll records. All payroll personnel should have a copy of the State of Indiana Payroll Manual issued by the Auditor of State. This manual provides instructions and guidance on processing payroll through the Auditor's Office, including the proper forms to use and instructions for their completion.

#### PAYROLL MICROFICHE

The Auditor of State distributes payroll microfiche on a bi-weekly basis which corresponds with that agency's payroll. The following microfiche are generated for each pay period:

##### Gross to Net Register

This microfiche contains Current, Month to Date, Quarter to Date, and Year to Date totals for regular, overtime, and other hours (leave time, etc.), taxes withheld, net amount of warrant or deposit, and check number for each employee. The employees are listed alphabetically within each sub-agency. There are also totals by sub-agency.

##### Deductions/Other Earnings Register

This microfiche contains Current, Month to Date, Quarter to Date, and Year to Date totals for all deductions and other earnings. The employees are listed alphabetically within each sub-agency.

##### Hours Register

This microfiche contains Current, Month to Date, Quarter to Date, and Year to Date totals for regular and overtime hours worked, accrued and used vacation, sick, and personal leave, as well as available leave balances. The employees are listed alphabetically within each sub-agency.

##### Labor Distribution

This microfiche contains Current regular and total earnings, plus all State share benefit deductions including F.I.C.A. tax paid by the State of Indiana as an employer. The employees are listed by social security number within each sub-agency. This microfiche is designed to show the total expenses involved when employing and paying a State employee for a bi-weekly payroll cycle.

For additional information regarding payroll microfiche, please refer to the Payroll Manual or contact your Auditor of State payroll contact.

## PAF FORMS

The Personnel/Payroll Action Form (PAF) should be submitted to the State Personnel Department for every personnel action on or before the effective date of the action. Since all payrolls must be certified by the Personnel Department, it is important that the action forms be submitted well in advance of the effective date of the action to allow processing time before the applicable payroll submission. Changes in payment will not be made for payrolls concerning promotions, demotions, or other salary changes until the approved copy has been received by the appointing agency.

The effective date of classification changes, salary changes, and transfers to other payroll accounts should be at the beginning of a pay period. Original appointments should be made effective on the date the employee first reports to work.

Two copies of the PAF form are to be submitted to State Personnel for each action taken. A copy of the form should be retained in the agency until the approved copy is returned by State Personnel. PAF forms for employees of elected state officials are submitted to the State Budget Agency for funding approval and to State Personnel for Staffing Report purposes only.

### Special Instructions

1. The employee's signature is required on personnel PAF forms for resignations, demotions, transfers, leaves of absence, and disciplinary actions. Each terminating employee should be advised as to their rights in terms of accrued leave, pension fund status, credit union, and other applicable programs.
2. Personnel action forms submitted on part-time employees should always indicate the number of hours worked.
3. Transfers to another position number within the same agency requires the use of a PAF form. Submit the request to the Personnel Department. An approved copy will be mailed back.

### New Employees

The following steps should be followed when a new employee is appointed to a vacant position on the Staffing Report:

1. Complete a HRMS Action Form and have it signed by the administrative head of the department or agency.
2. Transmit two copies of the form to State Personnel and retain one copy for the agency file.
3. The return of a copy of the action form properly approved by State Personnel is the individual agency's authority to notify the prospective employee to report to work.
4. If an employee transfers in the middle of an earnings period, or the middle of overlapping earnings periods (between A and B payroll), the employee must be paid in the new agency (or fund/center) for the entire earnings period. In such an instance, the former employer-agency must fill out four (4) copies of Form A-9R, retain one (1), and transmit three (3) copies to the new employer-agency. The new employer-agency completes the form, retains one (1) copy, and transmits two (2) copies to the Auditor's Office with the applicable payroll.

5. When reporting for work (or before if possible), the employee must fill out a W-4, Employee's Withholding Exemption Certificate (Federal), and WH-4, Employee's Withholding Exemption and County Residence Certificate (State). The forms should be retained in the agency's personnel files. Submit the information on AP63.
6. Unless transferring from another agency, a Membership Record for the Public Employees' Retirement Fund (PERF), or other applicable fund, must be completed. The agency must certify the completed form (State Form 34413) and send it to PERF.
7. Inform the new employee of the benefits, including PERF, health care and other insurance available, credit union, savings bonds, and other such programs. Also inform the new employee of the rules and regulations governing vacation, sick, personal, and other leave.
8. Instruct the employee on how to fill out the Employee's Attendance Report (A-4) or the substitute approved form used by your agency.
9. Fill out a Form AP63 (form to add or move employees within the payroll system) for each new or transferred employee, or employee moved to another payroll sub-account. Fill in the totals on the top sheet only of all AP63 forms used for each payroll sub-account. Attach all forms to the first page of the Payroll Change Sheet of the appropriate sub-account. Make certain that AP63 forms agree with amounts noted on the employee's W-4, WH-4, and AS47 forms. Submit AP63 to State Personnel.

#### Reclassification of Employee

If it is necessary to reclassify an employee from one position to another existing position, a PAF form should be submitted for that employee along with a justification for the reclassification. Employees can be reclassified only if there is a position open to which they can move and only if the employee is qualified for the new position. Forward two copies of the form to State Personnel for approval. An approved copy will be returned.

#### Creation or Reclassification of Positions

Positions are created or reclassified only by action of State Personnel with the approval of the Budget Agency and the Governor. The following information must be submitted with an agency's request for a reclassification of a position or for a new position on the Staffing Report:

1. Class title(s) of requested position(s).
2. Class code(s) of requested position(s).
3. For reclassification, list the existing organization code and Position Number on the Staffing Report.
4. For a new position:
  - a. Indicate the Section, Title and number on your Staffing Report which the position is to be assigned.
  - b. Indicate the fund/center that the position will be allocated to.

5. Provide appropriate job descriptions:
  - a. For reclassification, submit a revised job description with its revised evaluation.
  - b. For a new position, submit a new job description with its appropriate evaluation.
6. Submit an amended agency organizational chart reflecting the requested revisions.
7. Complete and include the "Budget Justification for new Positions or Reclassification of Existing Positions."

Approval or denial of the position will be granted by letter. Once the position is established or reclassified, the agency may proceed to fill it in the same manner as any other vacant position.

#### ATTENDANCE REPORT (A-4)

The Employee's Attendance Report (A-4) is to be used for all employees paid through the Auditor of State's payroll system. If a different attendance report or recording method is used, it must be approved by the State Board of Accounts. It must include the same information as the A-4 and should facilitate the entering of data into the payroll system.

Every employee must submit an attendance report for each pay period. The attendance report is to be completed accurately, and be signed and dated by the employee. It should not be signed or dated before the last day worked in the pay period. If an employee is going to be on vacation or other approved leave on the last regular working day of the pay period, the employee should sign the attendance report on the last day worked. Attendance reports should be submitted by each employee in a timely manner so that submission of payroll to the Auditor's Office is not delayed.

If the attendance report is submitted by fax or electronically to the agency's payroll section to ensure timely submission of the payroll to the Auditor's Office, the official paper copy of the attendance report with the employee's original signature must be submitted to the agency's payroll section. The agency's payroll section must compare the official paper copy to the fax or electronically submitted attendance report. Any differences must be submitted to the Auditor's Office with the next payroll.

After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee, or by another designated individual who has knowledge of the employee's attendance. The review should be done prior to submission of payroll to the Auditor's Office. If a different procedure is needed, contact the State Board of Accounts for assistance and approval.

#### EMPLOYEE SERVICE RECORD

The State Employee Service Record (State Form 34400R) is an optional form that can be used to supplement the Auditor of State's records. A separate form is kept for each employee for each fiscal year. The record is posted from the employee's attendance report at the end of each pay period to show regular time worked, the accumulation and use of leave, and compensatory time. When properly maintained, this form gives an accurate picture of an individual's working time, compensatory time earned and used, and leave accumulation and use. This form can be beneficial when there is substantial compensatory time. Although this is an optional form, this information can be useful in the preparation of reports and internal management of personnel.

## STAFFING REPORT

State Personnel issues the Staffing Report to each state agency on the last day of each month. The Staffing Report details each position authorized for that agency including the employees occupying those positions. The following information is shown for each position:

1. Position Number
2. Class Code of Position
3. Class Title
4. Fund and Center Paid From
5. Type of Position
6. Name of Employee
7. Class Code of Employee
8. Bi-weekly Salary
9. Annual Salary
10. Date of Appointment in State Service.

When Staffing Reports are received from State Personnel, they should be inspected carefully and any errors found should be called to the attention of State Personnel (or in the case of elected offices, the Budget Agency).

The Staffing Report should at all times reflect positions and employees in the section or division in which they are actually working and the fund/center from which they are actually being paid. It is the responsibility of each agency to submit the necessary actions forms for reclassification when necessary organizational or personnel changes are desired.

Proper utilization of the Staffing Report will assist in solving personnel problems and planning future changes.

## OVERTIME COMPENSATION

### Overtime Eligible Employees

State employees who are subject to the federal Fair Labor Standards Act and/or are listed in 31 IAC 1-9-2(d)(1), 31 IAC 2-11-2(d)(1), Financial Management Circular 95-1, or Financial Management Circular 96-1, may be eligible to receive premium overtime compensation (i.e., be compensated for overtime at a time and a half rate) for working in excess of forty (40) hours a week. These individuals are commonly referred to as overtime eligible or "non-exempt." The Employee Attendance Report must reflect all overtime worked. Monetary compensation for overtime is to be paid along with the regular payment of wages for the pay period in which the overtime was worked.

Financial Management Circular 89-2 provides that prior approval of the State Personnel Department and the Budget Agency is not required when the overtime is needed to provide essential coverage (i.e., when necessary to ensure the health and welfare and/or safety of citizens, patients, inmates, residents and/or students) and when an Overtime Log is completed and forwarded to the agency's Budget Analyst within ten days after the end of the month.

Financial Management Circular 96-2 provides that Budget Agency approval is not required for individual overtime transactions that have been previously approved in the agency's annual Financial Management Plan.

Overtime eligible employees may be permitted to choose compensatory time off in lieu of monetary overtime compensation. State Personnel rules 31 IAC 1-9-2(g) and 31 IAC 2-11-2(g) cover compensatory time off and provide that, in most cases, compensatory time off accrued by overtime eligible employees must be taken prior to the end of the calendar quarter succeeding the quarter in which the additional hours were worked.

Special rules apply to law enforcement personnel, including Correctional Officers. See 31 IAC 1-9-2(l) and 31 IAC 2-11-2(l).

### Overtime Exempt Employees

State employees performing exempt work are not eligible for premium overtime compensation. Employees performing exempt work may only be paid monetary overtime compensation if the agency head receives prior approval from the State Personnel Department and Budget Agency, consistent with 31 IAC 1-9-2(d)(2), 31 IAC 2-11-2(d)(2) or Financial Management Circular 87-2.1.

Agency heads may authorize compensatory time off for employees required to perform exempt work substantially beyond their normal work schedule. Compensatory time off for overtime exempt employees must be accrued and taken in accordance with the Financial Management Circular 87-2.1.

To accrue compensatory time off, an exempt employee must receive prior approval from his/her supervisor to work on a specific task for a specific number of hours. Compensatory time off should not accrue for projects that will take less than four hours of overtime work. Compensatory time off must be used in half or whole day increments, except as otherwise provided in the Family and Medical Leave Act. No exempt employee may use more than three weeks of compensatory time off during a calendar year. The Employee Compensatory Time Worksheet (State Form 42386) should be completed and submitted with every attendance report in which compensatory time is earned or used. Accumulated compensatory time off may not be used after an exempt employee has given notice of her/his intent to terminate employment or transfer interagency. Upon termination or interagency transfer the exempt employee receives no compensation for accumulated compensatory time.

### NEPOTISM

Indiana Code 4-15-7-1 prohibits the hiring of a relative (father, mother, brother, sister, uncle, aunt, husband, wife, son, daughter, son-in-law, daughter-in-law, niece or nephew) by any member of any state board or commission, or head of any state office, department or institution for which the relationship exist. Also, no persons related may be placed in a direct supervisory-subordinate relationship. Questions should be referred to the State Ethics Commission.

### GHOST EMPLOYMENT

Per Indiana Code 35-44-2-4, ghost employment occurs when a public servant knowingly or intentionally hires an employee but fails to assign duties related to the governmental unit. It also occurs when a government employee accepts property from a governmental unit for performance of duties not related to the operation of the unit. The State Ethic Commission should be contacted if you have any questions relating to ghost employment.

## CONFLICT OF INTEREST

Per Indiana Code 35-44-1-3, a public servant (which includes a state employee) who knowingly or intentionally has a pecuniary interest in or derives a profit from a contract or purchase connected with an action by the governmental entity served by the public servant has a conflict of interest subject to disclosure. A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of the public servant. IC 35-44-1-3(d) requires a disclosure of the conflict of interest be in writing to the government unit prior to action taken by the governmental unit. It also requires the written disclosure be submitted to the State Board of Accounts within 15 days after final action on the contract or purchases.

The Uniform Conflict of Interest Disclosure Statement should be used for the required written disclosure. Contact the State Board of Accounts or the Ethics Commission for a copy.